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The Potential for U.S. Economic Dominance

*Guy Poitras**

What does the future hold for U.S. economic dominance throughout the Americas? The prospect of a Free Trade Area of the Americas (FTAA) by the year 2005 has once again pushed the basic issue about U.S. power in Latin America to the forefront of inter-American relations in the post-Cold War world. The extent and nature of U.S. power in Latin America has always been controversial and debatable (Lowenthal, 1987; Poitras, 1990; Pastor, 1992; Smith, 2000). In the post-Cold War world, the status of the United States as a hegemon in the Americas and as the "last" superpower basking in its "unipolar moment" is central to issues about states, markets, structure, leadership, integration, and regionalism in the world political economy. Free trade and economic liberalism are not politically neutral on these issues. They do reflect trends in the hemisphere as well as they affect the economic gains and the political fates of states.

"Dominance" is a term loaded with pejorative implications. It does not necessarily mean that dominance produces only asymmetric results. It is also not the same as hegemony. Hegemony requires dominance but not the other way around. The United States may be or may become dominant in its relations with Latin America without necessarily being hegemonic as it is in North America.

Asymmetry of power is common to dominance and hegemony. In a hegemonic system, the single great power is so preponderant that it has the ability and willingness to establish rules of exchange without sharing widely that decision with other states. In other words, the United States would be overwhelming in its ability to influence the behavior of others. Dominance also rests on an asymmetry of power, but it is a matter of degree. It suggests that the great power shares decisions with others but it may exercise a "veto" or an otherwise privileged voice in its relations with others. Dominance provides more options to the smaller states than does hegemony. Neither hegemony nor dominance assumes that exchange or relations between the powerful and the not so powerful is a simple zero sum game. Absolute and relative gains are available to more than the great power, but they may not be allocated in the same way or to the same extent to everyone.

U.S. power in Latin America is heavily dependent upon four factors: structure, exchange, soft power, and leadership. First, power is structural. In this modified realist view, U.S. power is based on market size, population, productivity, technological innova-

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tion, information, capital accumulation, and other considerations. Second, power is a relationship, a process of exchange. A great power with no contact with others cannot dominate them except only indirectly. Therefore, power is relative to other states in the mutual exchange of values. Less exchange means less opportunity to use power to affect outcomes. This is quite evident in the different power relations between the United States and North America, on the one hand, and between the United States and South America, on the other. Third, U.S. power goes beyond structure. Ideology and perceptions affect the power relationship. This "soft power" is the ability to get others to agree with one's policies or ideòlogies. For example, if Latin America accepts U.S. views on a Pan American approach to market style liberalism then the United States has more of a golden opportunity to influence and even manage hemispheric integration. Fourth, U.S. power must be applied. This is especially true in an initiative like the FTAA. A dominant or even hegemonic state must lead in order to use its resources to achieve desired outcomes. Without leadership on policy issues, the powerful state may miss opportunities to actively shape the outcome it prefers. Structure, exchange, soft power, and leadership are all a part of U.S. power.

The potential for U.S. economic dominance in the Americas, as mediated through the FTAA, will be addressed in several ways. First, the United States as a regional hegemon in North America and perhaps a dominant leader in the Americas is based on its liberal ideology of subregional integration in the North and its Pan American strategy of hemispheric integration in the Americas as a whole. Second, the influence that the United States is able to bring to bear on the process of creating a FTAA is to some extent indicative of its ability to dominate the management of hemispheric integration. Third, U.S. leadership in the Americas could greatly affect the ability of the "colossus to the north" to influence or dominate the outcomes of a FTAA. Structural asymmetry is not enough. The U.S. leadership issue, grounded in the domestic struggle over policy, could be the most important influence on designing state-led initiatives such as the FTAA.

Finally, U.S. dominance is not just about what the United States does. It is also about what others have and what others do. The global South in the Americas, particularly Brazil and its Mercado de sur (MERCOSUR) partners, is practicing a mixed strategy in which the benefits of U.S.-dominated regionalism are balanced against the benefits of diversifying relations with extra hemispheric states. In other words, trilateral and multilateral exchanges in the global South can affect the ability of the United States to influence the course of free trade in the Americas.

I. The Pan American Track.

The United States adopted economic regionalism as its own toward the end of the twentieth century. Supporting the European Union for many years was one thing; devising its own regional integration agreements (RIA) was something else again. The Canadian-U.S. Free Trade Agreement (CUFTA) in the late 1980s and the North American Free Trade Agreement (NAFTA) of the early 1990s were crafted to apply, imperfectly of course, the liberal policies and free market principles closer to home where they could be adopted more readily among its two junior partners. The United States did not impose NAFTA on North America but it clearly had an inordinate and even hegemonic influence on North America's adherence to the disciplines and principles favored by the United States. Free trade, reciprocity, national treatment of investment, domestic trade policy, dispute settlement, labor and environment protection, and liberalization of services as well as agriculture were NAFTA tenets. The fact that the United States got virtually everything it wanted, with some exceptions, in NAFTA is clearly indicative that NAFTA was a U.S.-led RIA, a symbolic and genuine innovation that more formally organized North America with the United States at its geoeconomic hub.

As a member of the global South, Mexico is the regional outlier. As such, Mexico made far more concessions than either of the other two prior to joining NAFTA. Mexico's place in North America did more than that; it also raises issues about the tradeoffs involved in integrating more closely developed and developing economies. This is what made NAFTA so consequential for the possibility of linking the global North and the global South in the Americas. If NAFTA were to be a model for the Americas, the Americas would have to contend with issues and policies on trade liberalization in services as well as agriculture, reciprocity in foreign investment, intellectual property rights, standardization of competition policy, government procurement, antidumping and countervailing duties, labor and environmental protection, and other matters.

The United States has long championed a Pan American vision of a liberal, democratic, capitalist hemisphere based on precepts long held to be sacrosanct among its public and private leaders. Historically, this Pan American vision of hemispheric unity and integration was the U.S. preference for Latin America. Integrating North and South America or at least bringing them closer together meant allowing for a substantial role in Latin America for U.S. power and policy.

This vision of a U.S.-centered hemisphere was exactly what many in Latin America had feared for more than a century. Rather than a hemisphere led by the great power in the north, Latin American preferences gravitated toward a rather different vision of how the hemisphere should be managed. This vision, inspired by Simon Bolivar, was dedicated to Latin American rather than hemispheric unity. In its most recent incarnations, this vision of a united Latin America implied the need for economic (and therefore political) cooperation to the exclusion of the United States (Rocha Valencia, 1997, p. 117). Keeping the United States at arms length was for decades the central premise of Latin American states bent upon their own views of security and development strategy. The rest of North America was seen as being different. Until Canada joined the Organization of American States in 1989, it was peripheral to the Americas. Of course, Mexico subscribed to the Bolivaran tradition along with its Latin American cohorts for many years. However, in the end, its special although sometimes distant relationship with the United States gradually led to its official entry into North America in 1994. NAFTA revived Pan Americanism for North America even as it sent messages about the possibilities and challenges of applying Pan Americanism throughout the Americas.

The idea that economic regionalism linking the North and the South would be the defining issue in inter-American relations at the beginning of the twenty-first century is therefore something of a vindication for the U.S. vision. In this sense, U.S. influence on the agenda for creating a neoliberal inter-American region is on the ascendancy. But it is not merely a triumph of U.S. preferences for Pan Americanism. Both the North and the South in the Americas have designed their own subregional enterprises as well. The subregional or Bolivaran vision of RIAs preceded the Pan American one. However, neither has precluded the other.

For the United States, organizing a RIA in North America was a strategy more than an ultimate goal. Befitting its global status, it had a more ambitious agenda for the world economy beyond its own neighborhood. The United States pursued two tracks in economic regionalism during the waning years of the twentieth century. One was a North American or continental track; this was the North American variant of the Bolivaran tradition in the south. The second track is Pan American. By 1993, the Clinton administration had committed itself to NAFTA. The "three amigos" (as Prime Minister Chretien dubbed the North American Three in 1994) put each other as their number one priority in regional trade negotiations during the early 1990s.

It is not difficult to discern the logic in this agenda. As a unipolar region, North America had unique advantages; its hegemonic structure made NAFTA an obvious first step for a free trade area. The bond between the United States and Mexico is so unique even now that it resembles in some ways the economic relations between two developed countries (Gonzalez and Velez, 1995). After NAFTA, trade dependence and other economic relations are even greater than before. The steep concessions that Mexico had to make to gain admittance to this exclusive North American club were palatable to most Mexicans because the two highly interdependent economies made structure and policy more congruent. The same is not true of the hemisphere in general.

In the early 1990s, the Pan American track had not been forgotten. Indeed, President Bush's Enterprise for the Americas Initiative (EAI) in 1990 was proclaimed at about the same time that Mexico publicly broached the idea of a far-reaching trade agreement between Mexico and the United States, which later evolved into the trilateral agreement including Canada. In 1991, presidential aspirant Bill Clinton had endorsed the Pan American idea for free trade. After NAFTA came into force in 1994, economic diplomacy turned toward the inter-American issues of democracy, human rights, sustainable development, poverty reduction, and private initiative as highlighted in the EAI. The "Declaration of Principles" at the Miami Summit of 1994 was similar in spirit and scope to this earlier U.S. initiative (Declaration of Principles, 1997). Four years later at the Santiago Summit, thirty-four countries committed themselves to a negotiating framework to bring about the Pan American vision of the FTAA. Both north and south in the Americas had moved closer together; the United States had accepted economic regionalism after years of preferring multilateralism or bilateralism in trade liberalization. Latin America had come to accept Pan Americanism, at least in principle, without jettisoning entirely the Bolivaran approach to economic unity.

During the mid-1990s, the United States entertained the view that NAFTA would be the vehicle for the more ambitious project of building a RIA for the entire hemisphere. It did not quite work out that way. The idea was to widen or broaden NAFTA by including new members through the accession clause. At the time, Chile was thought to be the most likely, and most ready, potential new member. What happened, of course, is that NAFTA did not expand; Chile became an associate member of MERCOSUR, and NAFTA was bereft of support as the vehicle for creating a FTAA.

Rather than using NAFTA per se to lay the institutional framework for the FTAA, the

United States came to the view that NAFTA would not be a feasible vehicle for the FTAA. At most, NAFTA could possibly be used to some extent as a model rather than as a vehicle. From the U.S. perspective, the principles and policies behind NAFTA would become the essential building blocks of a FTAA. The argument here seems to be that what is good and possible for North America is also good and possible for the Americas. A U.S.-led NAFTA could therefore become a U.S.-led FTAA, relying upon NAFTA as a precedent for linking the global North and the global South on a more ambitious scale. Arguably, NAFTA has already served as a stimulant to subregionalism within South America. Brazil was clearly not very enthusiastic about NAFTA as foundation for the FTAA (Purcell, 1998, p. 94). After all, Brazil's leadership in MERCOSUR is part of geoeconomic strategy casting a skeptical eye toward the potential of growing U.S. influence in South America. Rather, Brazil's goal seems to make sure that the FTAA does not become the Trojan horse for U.S. dominance in South America.

II. The FTAA Process.

The process of negotiating the FTAA also reveals, even in the slow early stages, the degree of U.S. influence in moving the hemisphere toward a hemispheric RIA. Unable to expand NAFTA throughout the hemisphere for domestic and regional reasons, the United States took positions at the various summits of the Americas and in the establishment of the structure for negotiating the FTAA that reflected its ability as well as the constraints on its ability to shape the process to suit its own preferences. Clearly, the United States would be a dominant player, but it would hardly get everything its own way, at least in the early stages of the FTAA process.

Economic summitry got the ball rolling. At the Miami Summit in 1994, the thirty-four states adopted the "Declaration of Principles." This pronouncement went beyond trade and even economics. The parties pledged to preserve and strengthen the democracies of the Americas, to promote prosperity through free trade and integration, to eradicate poverty and discrimination, and to practice sustainable development (Feinberg, 1997: Appendix D). The Miami Summit did more than proclaim lofty principles. It also gave impetus to the Pan American vision of liberal regionalism. The U.S. goals at Miami clearly went beyond trade as well. Politics and economics were linked together. Specifically, democracy was linked to economic liberalism. Beyond that, pushing for a FTAA rested upon two U.S. preferences; NAFTA's scope and disciplines were to be used as benchmarks for the FTAA, and the negotiations would take place outside existing hemispheric institutions (Feinberg, 1997, p. 132).

The architecture for negotiating the FTAA was forged out of compromise and reality. The United States got some of what it wanted but not everything it wanted. There are three tiers in the process: the trade ministerials, the working groups, and the Trilateral Committee based on three regional organizations. The trade ministers carry most of the responsibility for the "big" or macro decisions and for lending their substantial political weight to getting the process started. The second tier in the architecture is the working groups. These groups would do much of the "heavy lifting" in technical areas by initiating study projects. They were charged with discovering the economic state of the practice in the Americas on an array of topics, including competition policy, government procurement, investment, services, standards and technical barriers, subsidies, antidumping and countervailing duties (FTAA, 1999). Much of this yeoman work was, in reality, given to the agencies represented in the Trilateral Committee. Its responsibility early on was to provide technical expertise rather than to negotiate the text of the agreement itself. The trilateral support of agencies from the Organization of American States (OAS), the Inter-American Development Bank (IDB), and the Economic Commission for Latin America and the Caribbean (ECLAC) was key to laying the foundation for later negotiations. The OAS, IDB, and ECLAC studied trade law and searched for commonalities in economic practice throughout the Americas. A public-private partnership was also an important part of the process. Business had an important advisory role in the negotiation process. For example, they along with some governments such as Brazil's heavily promoted what have been called "business facilitation measures" to get the private sector ready for the challenges of a FTAA (Lande, 1999, p. 458).

The Santiago Summit in 1998 moved the process even further along. By then, it had been decided that the FTAA would be "balanced, comprehensive, WTO-consistent." It would also be negotiated as "a single undertaking" ("Declaration of Santiago: Summit of the Americas," 1999, p. 4). The United States had bowed to the Latin American view that the negotiations should be based on an all-parties conference (Feinberg, 1997, p. 139). However, it disagreed with some Latin American participants about what the "single undertaking" actually meant. On the other hand, the Plan of Action from the Santiago Summit was more ambitious and more regimented than some of the Latin American parties wanted (Feinberg, 1997, p. 146). Although trade and economic liberalization were the primary interests, education, poverty eradication, human rights, and other issues were tacked onto the FTAA process.

The FTAA had become the centerpiece for setting new rules for the hemisphere's political economy. However, complex negotiations on many levels were also being pursued in the Americas. This "cascading modular multilateralism" involved bilateral negotiations as well as "geographic based pluralilateralism" and issue specific coalition building (Feinberg, 1997, p. 103; Morton, 1999, p. 249). By 2000, it was clearly the case that the FTAA process was only plodding ahead at a very slow pace. Some progress at the technical level had not been matched by a great deal of interest at the political level. What is more, interest in the FTAA varies among the thirty-four states. By 2000, most of the principal players, including North America ones, had not yet become very interested in the FTAA. U.S. and Mexican interest was middling at best. Among the NAFTA members, only Canada was greatly interested in the FTAA (Morton, 1999, p. 254, Table 2). After all, the process was in the early stages and, without "fast track authority," the United States was in a weakened position to persuade the other potential FTAA partners to push ahead and to push harder than they had up to that point. In the south, enthusiasm is also mild, to say the least. Indeed, Brazil's interest in the FTAA is quite low. Domestic financial volatility and business adjustment concerns, as well as its ongoing efforts to reach a Free Trade Agreement (FTA) with the European Union (EU), lead to some concern about Brazil's genuine commitment to the FTAA. Those most committed early on to the FTAA are a relatively small elite: the trade ministers, working groups, and the private sectors in some of the countries involved.

U.S. influence was constrained not just by U.S. drift at the highest policy levels. The process also revealed some divergences as well as convergences between the United States and other NAFTA members and between the United States and other FTAA parties. With a genuine but modest interest in a FTAA, the potential dominance of the United States was muted in the early stages. If and when the U.S. executive and Congress become fully engaged, U.S. influence in the FTAA process may grow.

The eventual prospects for a FTAA and the nature of its commitments on key trade and trade-related issues still does depend more on the United States than on any other single participant. On the other hand Brazil, and some other Latin American countries are cautious; if not outright obstructionist. They sought—but failed to get—a less specific timetable and less accountability in the process (Feinberg, 1997, p. 146). In Brazil, the FTAA is regarded as a U.S. priority, but MERCOSUR still comes first.

There are other differences as well. Take, for example, the meaning of "single undertaking." The United States and Canada, among others, argued that this phrase allows for partial agreements along the way, leading to an overall deal in the end. This implies that small steps can be adopted and even implemented before a comprehensive FTAA package is adopted in 2005. However, Brazil and MERCOSUR stood on the other side of this issue. For them, "single undertaking" means "nothing is agreed until everything is agreed" (Morton, 1999, p. 263). This difference over the "early harvest" issue reflects once again the fact that some U.S. preferences, while they may eventually prevail, are not always widely shared in the Americas. On this issue, Brazil and MERCOSUR prevailed. After the completion of the WTO's Uruguay Round, Brazil and some smaller countries in Latin America are less eager for fast-paced liberalization. Brazilian businesses have not yet adjusted to the changing economic climate and its export infrastructure needs improvement before they can become more competitive.

The United States also took positions on other issues that met with some resistance. The U.S. view on smaller economies is that they should play by the same rules as the larger ones. This is classic NAFTA orthodoxy. And yet, Canada dissents from this view. It has taken the position that the smaller economies in Latin America and the Caribbean should be given different or special treatment under a FTAA regime (Morton, 1999, p. 263). For another, the United States predictably took a hard stance on the protection of intellectual property rights for a FTAA. Canada once again preferred a policy allowing for some exemptions. Likewise, the United States pushed for antidumping (AD) and countervailing duty (CVD) provisions in a FTAA, as it did in NAFTA. This was greeted with little enthusiasm among most of the other parties. Permitting AD and CVD provisions would allow the United States to keep its domestic trade policies under the 1974 law and it would help mollify the U.S. Congress whose support is necessary for the United States to join the FTAA it is hoping to create. However, there is also congressional resistance to NAFTA's chapter 19 and its extension to the rest of the Americas. Chapter 19 allows trilateral panels to review and even overrule domestic trade decisions by a majority vote. Some regard this as a constitutional issue for the United States.

The service sector is another point of difference. The United States insisted on NAFTA's approach for liberalizing the service sector. Using the "positive" approach, NAFTA allows liberalization of service sectors unless they are specifically proscribed. This is what the United States would like to see incorporated within the FTAA. Several South American countries as well as Costa Rica took this point of view. But not everyone agrees.

The WTO-sponsored approach, codified in the General Agreement on Trade in Services (GATS), is favored by MERCOSUR. It adopts the "listing" approach in which only those sectors of the service economy that are specifically mentioned would be liberalized under the terms of the FTAA text.

The intriguing paradox of the U.S. position on a FTAA lies elsewhere, however. It is simply this: the official U.S. position is usually very liberal in the sense of preferring the least intervention by the state in markets. The wealthiest state by far in the Americas is, therefore, the most ardent in its positions on making the FTAA a very liberal RIA. However, it is the United States that also insists on raising social adjustment issues such as labor and environmental standards within the FTAA and refuses to abandon domestic trade policies such as antidumping. Traditionally, labor and environmental provisions have not been included in trade agreements. NAFTA changed all that, at least for the United States. Labor unions and some environmentalists are adamant in their resistance to FTAs that do not speak to the social and adjustment costs of liberalization. In other words, the FTAA may provide relatively small macroeconomic gains for many throughout the Americas in the long run but it may impose immediate, relatively high costs of reduced employment and incomes on the backs of a fairly small and largely defenseless group of U.S. unskilled or semi-skilled workers. However, this U.S. position that labor and environmental provisions should be a part of the FTAA was not widely shared. In fact, the technical issues facing the working groups of the FTAA did not include labor and environment.

III. The Leadership Conundrum.

U.S. economic dominance of Latin America rests upon an overwhelming asymmetry of power. Hegemony in the Americas, especially in the Caribbean Basin and Central America, remains a fact of life for most of the states. Even so, the structural power of hegemonic domination was only part of the story. At the beginning of the twenty-first century, structural power provides the context for influencing the management of the political economy of the hemisphere but it no longer—if it ever did—constitutes the only avenue for U.S. dominance. On the issue of the FTAA, structure and policy must be bonded together if the U.S. policy leaders hope to secure a dominant position for the United States.

The classic structural asymmetries remain formidable. The U.S. economy accounted for eighty-eighty percent of the NAFTA group in 1997; in that same year, it accounted for seventy-three percent of all of the Americas (see Table 1). It not only has the largest market but it is by far the wealthiest one in the Americas. Although Canada is ranked number one on the Human Development Index, while the United States ranks third behind Norway, Canada's smaller population and lower income figures do little to erode U.S. hegemony. The U.S. population constitutes 34.2 percent of the total population of the Americas with a GDP per capita of $27,620 (in 1997) and a real GDP per capita (PPP) of $29,010. By way of contrast, Latin America (including Mexico) had sixty-one percent of the population, with an average GDP per capita of $2,049 and a real GDP per capita of $6,868. With the second largest economy in the Americas, Brazil nevertheless ranks below Mexico and all three of its other MERCOSUR members in real GDP per capita.

What partially dilutes U.S. structural power in South America is U.S. trade patterns. In other words, dominance is diluted due to the diversification of exchange away from the United States. U.S. trade and investment in the Americas is mostly with North America. Canada and Mexico are its top two trading partners (see Table 2). U.S. trade ties to the rest of the hemisphere are far weaker. U.S. exports to the world reveal that most of Latin America, including Brazil, accounts for about seven percent. For its part, MERCOSUR sells twenty-seven percent of its total exports to the European Union, seventeen percent to the United States, and five percent to Japan while importing twenty-three percent from the United States and twenty-six percent from the EU (Carranza, 1999, p. 26). The potential growth of greater U.S.-Latin American trade is what is enticing rather than the contemporary patterns of trade. Even so, in absolute or relative terms, it may not be very large. During most of the 1990s, trade growth within MERCOSUR or between MERCOSUR and the rest of the Americas was far more important than it was for the United States, the EU, or NAFTA (IRELA, 1999, p. 36, Table 2).

While structural power is important, so too are two other elements of power: the "soft power" of economic liberalism and the use of leadership to affect outcomes. U.S. influence depends partially upon an inter-American convergence around liberal market ideas and trade policy preferences of the United States. In other words, if Latin American leaders agree with the United States on the principles and disciplines it advocates in the FTAA process, U.S. dominance is more assured. That is not to be taken for granted, however. This is where bargaining could become very important. Inducements from the north may be required to get Latin American acceptance of some U.S. preferences. In other words, the Americas are converging around political and economic liberalization. The U.S. preference is that they converge also around U.S. positions on specific issues such as competition policy, dispute settlement, government procurement, intellectual property, investment, market access, rules of origin (ROOs) and customs procedures, sanitary and phytosanitary standards, services, small economies, technical standards, subsidies, antidumping and countervailing duties.

U.S. leadership on the FTAA could prove crucial for a U.S.-led FTAA or for a FTAA at all. Without it, the FTAA may come to naught, become sidetracked or delayed as a Pan American effort at economic regionalism. However, it is exactly on the leadership issue that U.S. dominance of the FTAA may be most vulnerable. In the Americas, the United States is the great state, more or less still a hegemon or at least in many cases a dominant player. But within the United States, at the dawn of the century, the national policy community is divided over the political and social costs of free trade. The irony is that the United States is strong in the hemisphere but weak at home on this particular issue. The politicization of free trade, before and after Seattle, ensures that future free trade agreements may be hard to negotiate let alone ratify.

Domestic factors within the United States still do favor free trade agreements. Free trade and some of the subsidiary issues surrounding it have entered a pantheon of legitimate policy preferences. Presidential support is a given, regardless of partisan leanings. Free trade itself is not the issue. Rather, the difficulty comes in North America when free trade and the market orientation that most FTAs endorse collide with political concerns over immediate distribution of gains and losses. In other words, economic liberalization, through regionalization and globalization, has brought with it the backlash of a highly charged political contest (Rodrik, 1998).

Resistance to free trade agreements is most acute for the largest trading state of them all, the state that has the most to gain in absolute macroeconomic terms from creating a broader RIA in the Americas. The most serious domestic hurdle for a strong U.S. role in forging a favorable FTAA with its southern neighbors is the U.S. Congress. It is severely cross-pressured and this could be very important for future support on economic integration through FTAs (Destler, 1998, p. 143). The failure of the Clinton administration to get "fast track authority" from Congress for FTAA negotiations in 1997 and 1998 certainly reduced the credibility of U.S. leadership over the FTAA process. Backed by the perception that NAFTA had negatively affected those least able to compete in a more open regional free market, House Democrats essentially stood in the way of the Democratic president's efforts to revive "fast track authority" for future agreements (Barnes and Cohen, 1997, pp. 2304-2305). Clinton's attempt to reach a consensus with congressional Republicans misfired because it managed to increase Democratic antagonism to Clinton's legislative agenda. The "fast track" bill (HR 2621) got more Republican support than it did Democratic support. House Minority Leader Richard Gephardt (D-Missouri) insisted on strong provisions for labor and environmental standards in the "fast track" authorization. Clinton and the Republicans could not—or would not—meet these demands.

What is more, Clinton's coalition of moderates offended liberal Democrats and conservative Republicans alike on a whole host of legislative issues, including this one. With only about one-fifth of the House Democrats in favor of fast track, the bill was pulled from the agenda before it actually came to a vote (Taylor, 1997, pp. 2828-2830). The failure of the free trade coalition in Congress during the late 1990s to gain "fast track" authority for the president was obviously a setback—but perhaps not a fatal one—for negotiating the FTAA. After all, the eight years of the Uruguay Round of GATT began without U.S. "fast track" authority. The disturbances in Seattle were a "wake up call," according to President Clinton, for all those who believe that free trade can be advanced without gaining the support of these "new voices" (Kahn, 2000, p. A6).

The politicization in Seattle also reflected the president's failure to move the WTO process forward. But it also implied something else. There may be the possibility of a two-level negotiating game. On the one hand, the president was making a bow toward the domestic realities in an election year. He commented sympathetically in Seattle about the concerns of the protestors and demonstrators. In doing this, the United States was also sending a message to many states about the relative strength of the United States in the negotiating process. Domestic division may not be only a weakness, however. A contrarian view would see the struggle over free trade as a two-level game in which U.S. leadership in the Americas could gain strength from its domestic politics. The domestic struggle over free trade and labor standards could be used as a wedge to influence potential trade partners. If Latin American states want a FTAA bad enough, U.S. politics could be the lever to extract further concessions. In fact, at the WTO meeting in Seattle, India and other countries regarded the U.S. position in sympathy with the demonstrators as a ploy to design future trade agreements that would allow the United States to use trade sanctions against trade partners by invoking provisions on labor and environmental standards. This was seen as U.S. "protectionism in the guise of idealism" by many global South members of the WTO (Dugger, 1999, p. C4).

IV. The MERCOSUR Strategy.

Although the United States retains a lopsided advantage in structural power, this does not guarantee in and of itself a blank check in the FTAA process. The diversity and complexity of Latin America is more daunting after decades of uneven development than it was in Bolivar's era almost two centuries ago. This makes a FTAA an inherently more problematic venture than NAFTA was. Latin American countries are individualistic about specific policies and some may not even have policies in areas identified in the FTAA process. While many may go along because they fear being left out or behind, the capability of the United States to move an entire region toward a FTAA in the time allotted for it may be sorely tested. NAFTA was difficult enough to devise; despite or because of that precedent, the FTAA may be even more arduous.

Just as NAFTA is the legal and symbolic adhesive for North American regionalism, so too have various subregional RIAs in South America been pursuing their own paths to economic liberalization and free trade. The Andean Community (AC), the Central American Common Market (CACM), and the Caribbean Community (CARICOM) in addition to MERCOSUR are the principal Latin American RIAs most interested in the FTAA process. Except possibly for MERCOSUR, these subregional RIAs are not generally staking out positions cum blocs in the FTAA process so far, but the FTAA process has helped to solidify the subregional RIAs (Morton, 1999, p. 271). However, internal strains within MERCOSUR may complicate things. The Brazilian devaluation in 1999 had serious consequences for monetary stability and bloc unity (Gruben, 2000: 9). Despite everything, Pan American and Bolivaran visions will probably coexist in the Americas for some time to come.

The subregionalism of MERCOSUR poses the most important challenges and opportunities for creating a FTAA under terms acceptable to the United States. MERCOSUR was conceived in the beginning as a counterweight to the RIA from the north and as a lever against rushing headlong toward a Pan American approach dominated by the United States. On the other hand, genuine access to U.S. markets for Brazil's manufactured exports is a potent attraction. The pull of economic inducements and the resistance to domination leads to a situation in which Brazil and its bloc seek to blend a strategy of "balancing" and "bandwagoning." Once again, subregional issues may complicate matters. For example, the dollarization of the Argentine economy might compromise monetary sovereignty and thereby increase the South's dependence on the United States (Gruben, 2000: 13). Brazil would like a FTAA on the most favorable terms possible but it also wants to check U.S. dominance by linking up with other trade partners.

As has already been mentioned, MERCOSUR staked out opening positions on the process and the nature of the FTAA that are at variance with some positions taken by the United States. Singly or taken together, these divergences do not represent points of disagreement fatal to a successful outcome. Still, they do reflect an approach to the FTAA that is not shared in the north, or at least not initially. Basically, led by Brazil, MERCOSUR is more cautious, suspicious, and reluctant about a FTAA, especially one that reflects too closely U.S. preferences. Brazil generally subscribes to the view that there is danger in moving prematurely toward a FTAA. This is especially significant in light of the fact that Brazil and MERCOSUR are less willing or ready to support U.S. positions on issues dealing with regulatory policy, the service sector, intellectual property rights, and labor and environmental provisions, to name the most contentious.

Brazilian leaders also regard their state as counterweight to the United States. For Brazil, MERCOSUR is its instrument of geoeconomic strategy for balancing off the influence of the United States in the southern cone. Rather than jump on the bandwagon of a NAFTA-inspired FTAA, Brazil embraced a more distant but still engaged approach to the Pan American vision of a twenty-first century FTAA. In this political interpretation of Brazil's involvement in the FTAA, the EU has a place. The EU is Brazil's main trading partner. The possible EU-Brazil FTA would therefore reinforce important trading relationships and it would allow Brazil to use the EU as a balance against a dominant U.S. role in the FTAA. The net effect of the EU agreement on Brazil would probably be greater than would that of the FTAA (IRELA, 1999: 13). Still, trade is growing quickly between the United States and Brazil. Brazilian manufactured exports are particularly important to the NAFTA countries. The most obvious option for Brazil is to use its dominance within MERCOSUR to blend hemispheric and extra-hemispheric strategies. MERCOSUR could develop a triangular relationship between the NAFTA and EU blocs to gain relatively more from each. Trade, credibility, and international bargaining positions could be enhanced with a FTA with the EU. It may also be a way to increase pressure and extract concessions from the United States on key sectors such as agriculture and textiles (IRELA, 1999, p. 8).

V. Gains, Markets, and States.

The FTAA is an intriguing test of the idea that the United States can dominate the making of rules under which the economies of Americas will move closer together. Whether the United States will dominate or merely influence the eventual FTAA is just as much open to debate as is the extent to which U.S. power can shape the national economies of the south more generally. One should also refrain from the premature view that the process itself cannot lead to movement on issues and positions. Different positions on issues may not always be imbedded in stone nor do they necessarily suggest that different positions will always be incompatible.

Although power in its various guises may go a long way to determining what comes out of this complex process, the eventual fate of the FTAA and of the Americas as a more united region also hinges on promises and fears about expected gains and losses. Absolute gains is the growth of the pie; relative gains is who gets a bigger slice. Both are germane to inter-American relations in the early twentieth century just as they are for states throughout the world. Some states, firms, and workers, among others, would take a larger pie even if their slices were smaller than others. This is where politics and economics meet. In the FTAA, there is also the question of states and markets. If almost everyone gains a little, but a few lose or have to pay more for the gains than do others, then these differentials may affect the process of state-led economic regionalism. What is more, if a FTAA promises absolute gains at the price of greater U.S. dominance, how great must the gains be to make them worth the political price to be paid? Just as war is too important to be left entirely to the generals, free trade is apparently too important to be left entirely to the exporters.

The potential for U.S. dominance in Latin America through the creation of a FTAA is ultimately anyone's guess. The premise that the wealthy and the powerful benefit more from unfettered markets would lead one to believe that U.S. dominance would indeed be enhanced under certain conditions. This would mean that states would bandwagon on U.S.-preferred rules if the promise of absolute and relative gains outweighs the risks of greater vulnerability to U.S. dominance.

The NAFTA experience, incomplete as it is, may offer some insight. While some have lost, or at least not gained as much as others, the macroeconomic impact has been slightly positive for NAFTA members. With major asymmetries in place, the temptation might have been to assume that the "wealthy get wealthier" and the "poor get poorer." A FTAA may have little impact on these gains, but the possibility that it will makes this issue one that could affect the eventual prospects for a Pan American approach to regional integration. There is something else at stake as well. The complex web of structure, exchange, soft power, and leadership makes any FTAA a creature of political as well as economic concerns. One cannot assume that whatever shape the FTAA does take, U.S. dominance over Latin America will change a great deal one way or the other. However, the perception that it might change is linked to the promise and fear of greater exchange in an uncertain but still asymmetric region. There is nothing inevitable about the destiny of U.S. dominance in the Americas just as there is nothing inevitable about the prospects for a more integrated and prosperous hemisphere.

TABLE 1
POPULATION AND INCOME, 1997

	POPULATION	GDP	GDP/CAPITA	REAL GDP/CAP
NAFTA				
United States	271.8	$7,834.0	$27,620	$29,010
Canada	30.3	607.7	16,525	22,480
Mexico	94.3	403.0	1,910	8,370
MERCOSUR				
Brazil	163.7	820.4	2,107	6,480
Argentina	35.7	325.0	4,021	10,300
Paraguay	2.7	10.2	1,047	7,168
Uruguay	3.3	20.0	2,992	9,200
Chile	10.3	77.1	2,667	12,770
Bolivia	7.8	8.0	244	2,880
Venezuela	27.8	87.5	2,685	8,860
Other LAC	144.5	820.0		
All LAC	489.9	2,169.0	2,049	6,868

Note: Population (1997), in millions; GDP (1997) in U.S. billions; GDP/capita (1997) in 1987 U.S. dollars; Real GDP/capita (1997) is PPP U.S. dollars.

SOURCE: United Nations Development Program (1999), pp. 136; 152-154; 184-187; 197-199.

TABLE 2
SHARE OF U.S. EXPORTS TO THE WESTERN HEMISPHERE
AS A PERCENTAGE OF U.S. EXPORTS TO THE WORLD, 1994

North America	Percent
Canada	22.29
Mexico	9.92
MERCOSUR	
Brazil	1.58
Argentina	0.87
Paraguay	——-
Uruguay	
Other Latin America	
Chile	0.54
Dominican Republic	0.54
Andean Pact	
Colombia	0.79
Ecuador	0.23
Peru	0.27
Venezuela	0.78
Bolivia	——-
Central American Common Market	
Costa Rica	0.36
Guatemala	0.26

SOURCE: Calculated from International Monetary Fund (1995), pp. 436-438; 261-263.

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